

CABINET MEETING – 10TH OCTOBER 2012

EXECUTIVE SUMMARY SHEET- PART I

Title of Report:

Revenue Budget Second Review 2012/2013

Author(s):

Executive Director of Commercial and Corporate Services

Purpose of Report:

To report details of the outcome of the Revenue Budget Second Review for 2012/2013.

Description of Decision:

Cabinet is recommended to

- approve the contingency transfers proposed at Appendix A and budget transfers

Is the decision consistent with the Budget/Policy Framework?

Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

To respond to variations in expenditure and income which have arisen in 2012/2013 and enable effective budgetary control to be exercised.

Alternative options to be considered and recommended to be rejected:

No alternative options are proposed.

Impacts analysed:

Equality

Privacy

Sustainability

Crime and Disorder

Is this a “Key Decision” as defined in the Constitution?

Yes

Is it included in the 28 day Notice of Decisions?

No

Scrutiny Committee

Cabinet 10th October 2012

Revenue Budget Second Review 2012/2013

Report of the Executive Director of Commercial and Corporate Services

1. Introduction

This report advises Members of the overall Revenue position following the second review for 2012/2013 including proposed contingency transfers for the second quarter of 2012/2013.

2. Description of Decision

- 2.1. Cabinet is requested to approve contingency transfers proposed at Appendix A and budget transfers.

3. Revenue Budget Monitoring 2012/2013

Overall Position

- 3.1 In overall terms there continues to be challenges in delivering the savings requirement for 2012/2013. On-going mitigating actions have been put in place by Portfolio holders, which coupled with corporate actions agreed in relation to workforce planning, will ensure that a positive outturn position will be achieved.

A full review has been undertaken and a summary of the position following the second review is set out in the report for each Portfolio, together with the contingency allocations proposed for the second quarter.

In addition savings on capital financing charges as a result of slippage on the capital programme and income from interest on investments are anticipated to result in savings of approximately £4m at year end. It is proposed that these amounts and any further underspendings arising from unspent contingencies at the end of 2012/2013 are earmarked to support the overall 2012/13 position and transitional costs arising from the 2013/2014 budget setting process.

3.2 Contingency Transfers

A full review has been undertaken for each service and full details of proposed contingency transfers are set out at Appendix A.

Corporately savings have been realised from staff training budgets, flexible working arrangements and staff turnover.

3.3 Budget Transfers

Budget Transfers since the first review primarily relate to transfers between Directorates to reflect operational arrangements in accordance with Sunderland Way of Working principles and budget realignments relating to the disestablishment of the City Services Directorate.

3.4 Implementation of Savings Plans and Budget Pressures

3.4.1 The budget process for 2012/2013 took account of the requirement for reductions in expenditure of £25.86 million. Progress in implementing the proposals is being rigorously monitored in conjunction with Portfolio holders. Monthly monitoring of the budget is carried out at an enhanced level to ensure the position is understood early and actions put in place to mitigate any impact.

3.4.2 In addition budget pressures are also being experienced across all portfolios for which mitigating actions are actively being sought. This reflects the increasing challenge in delivering budget reductions reflecting the prolonged and deep reductions in expenditure faced by this Authority and the compound impact they are having.

3.4.3 Portfolio holders and Directors have been considering the position in respect of pressure areas and actions are in hand to address the position ongoing. However given the demand pressures being experienced in relation to adult social care at this stage it is anticipated that some utilisation of transitional funding earmarked as part of the 2010/2011 and 2011/2012 final accounts processes is likely to be required.

3.4.4 In relation to savings targets the following is noted in overall terms:

- £14.833 million of the savings have been fully realised to date.
- £5.964 million of reductions are no longer to be achieved as originally intended however alternative actions have been identified which will realise the savings required
- £3.445 million of reductions are not yet scheduled for full implementation although good progress is being made with action plans developed, responsibilities assigned and timescales identified. At this stage therefore it is not anticipated this will impact on the overall financial position of the Council as the full year saving is still anticipated although it is imperative that these reductions are driven through to implementation in line with agreed timescales.
- £1.618 million is in respect of areas where issues have been encountered primarily in relation to Adult Social Care and no alternative mitigating action has yet been identified.

3.4.5 In addition to the above, budget pressures have arisen across portfolios. While mitigating actions are being actively implemented to address the position, there remains a £3.697m pressure in relation to Adult Social Care pressures for which no mitigating action has yet been identified.

- 3.4.6 Further details of these areas are included as appropriate within the relevant portfolio monitoring update below

Portfolio Budget Monitoring 2012/2013

- 3.5 The following issues are drawn to Members attention:

3.5.1 Leader

E-volve

Forecast rental shortfalls due to the economic conditions, coupled with some additional one-off costs have led to a budget pressure of £0.277m in this area. The Portfolio has identified a number of actions to address the in year position, including use of delegated balances and cost containment measures across the Portfolio. In light of the current economic conditions, it is anticipated that the rental shortfalls will continue into 2013/2014 and actions are being considered to mitigate the position ongoing as part of the 2013/14 budget process.

3.5.2 Deputy Leader

No Issues to raise at this stage

3.5.3 Cabinet Secretary

No Issues to raise at this stage

3.5.4 Children's Services

External Placements

Demand for external placements continues to increase resulting in a budget pressure of £1.872m. Earmarked reserves and contingencies are available to largely mitigate the position and Children's Services have identified in year efficiencies to ensure a balanced budget at year end. As part of the budget setting process for 2013/2014, a review of the Children Looked After Strategy is being undertaken to develop a sustainable model for the future and to ensure a balanced budget position ongoing.

3.5.5 Health, Housing and Adult Services

Continued demand pressures in adult social care are leading to budget pressures totalling £7.713m. After proposed mitigating actions, there remains a shortfall of £5.315m in year with an ongoing impact into 2013/2014 of £3.673m. Work is ongoing to mitigate this position. However at this stage it is anticipated that use of earmarked transitional resources is likely to be required in 2012/2013., with the ongoing position into 2013/2014 considered as part of the budget planning process.

The key issues are set out below:

Residential and Nursing Care (including Reablement and Independent Home Care)
As reported at the First Revenue Review additional demand pressures are being experienced in the residential, nursing and home care budgets. The Directorate are reviewing progress in respect of the implementation of current strategies concerning alternative solutions in respect of care arrangements which are designed to both save costs but improve outcomes for people. The Directorate are to use delegated balances to reduce the shortfall to £4.651m in 2012/2013 with an ongoing pressure into 2013/2014 of £3.009m.

Housing Related Support:

Consultation and finalisation of arrangements in respect of a review of Housing Related Support Services is anticipated to lead to a temporary one-off shortfall which will be partially met from delegated balances and reserves with further options being considered to mitigate the remaining shortfall of £0.300m in 2012/2013 and £0.050m in 2013/2014

Care and Support

Costs arising from a review operational arrangements will result in a shortfall which is to be partially met by use delegated balances. Officers are considering options to address the remaining shortfall of £0.364m in 2012/2013 and £0.531m in 2013/2014.

3.5.6 Public Health, Wellness and Culture

Sport and Leisure

The service continues to be affected by the impact on income of the economic downturn with a shortfall for 2012/2013 estimated at £0.559m. This can be met from specific contingency provision for the impact of the economic downturn provided in setting the 2012/2013 budget, together with other mitigating actions both within this service area and across the former City Services Directorate.

Culture Sport and Leisure Review

Work is ongoing in relation to a review of service delivery in respect of leisure management services. At this stage it is anticipated that the lead-in time for the review may lead to a shortfall of £0.758m in 2012/2013 and therefore a range of alternative measures have been identified across the former City Services Directorate area to address the shortfall.

3.5.7 City Services

No Issues to raise at this stage

3.5.8 Responsive Services and Customer Care

Customer Services End to End Service Reviews

As reported at the first Revenue Review current planned reviews indicate a shortfall of £2.135m at the end of 2012/2013. At this stage it is anticipated some of the shortfall will need to be accommodated within the overall corporate position for the year with alternative options to be brought forward for the remaining balance as part of the 2013/2014 budget planning process.

3.6 Other Corporate Issues

3.6.4 Transitional costs arising from early voluntary early retirements prior to the current workforce planning programme in 2012/2013 total £4.030m which can be met from specific resources set aside to meet transitional costs as part of the 2010/2011 and 2011/2012 outturn positions.

3.6.5

As reported as part of the budget setting process transitional costs are arising in 2012/2013 as the organisation continues to progress its plans to deliver the Sunderland Way of Working and budget savings. In this context, the Council has introduced a severance scheme which addresses a projected £5m budget shortfall in 2012/13.

4. Reasons for Decision

4.1 To respond to variations in expenditure and income which have arisen in 2012/2013 and enable effective budgetary control to be exercised.

5. Alternative Options

5.1 No alternative options are proposed

6. Impact Analysis

6.1 Impact assessments of Directorate actions to ensure the achievement of savings targets and a balanced budget position will be undertaken within Directorates as each action is developed.

7. Other Relevant Considerations / Consultations

7.1 The report identifies a number of risks in relation to the delivery of budget savings. However, actions in place and the identified use of available transitional fund resources are anticipated to be sufficient to mitigate the risks identified. Further confirmation of mitigating actions will be provided as part of the third review which will be reported to members in due course.

8. **Background Papers**

- 8.1 There were no background papers relied upon to complete this report.

Appendix A

Cabinet Meeting – 10th October 2012 Variations Necessitating Contingency Transfers 2012/2013

	Justification / Approval	2012/2013 £	Full Year Effect £
Public Health, Wellness and Culture			
Sport and Leisure - impact of economic downturn	Specific Provision	314,000	314,000
City Services			
New Adoptions - Works arising following Washington Land Transfer.	Specific Provision	35,419	35,419
Improvement Programme Efficiencies			
Improvement Efficiencies		(777,772)	0
Training Efficiencies		(411,000)	0
Flexible Working Efficiencies		(1,246,662)	0
Contingencies Total		(2,086,015)	349,419

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Revenue Budget Position After Second Review 2012/2013

	First Review 2012/2013	Budget Transfers	Transfers from Contingency fund	Second Review 2012/2013
	£'000	£'000	£'000	£'000
Portfolio				
Leader	7,243	(49)	(318)	6,876
Deputy Leader	5,288	(17)	(593)	4,678
Cabinet Secretary	6,859	(20)	(704)	6,135
Children's Services	53,897	45	(323)	53,619
Health, Housing and Adult Services	69,394	114	(90)	69,418
Public Health, Wellness and Culture	17,941	650	319	18,910
City Services	44,666	(463)	(330)	43,873
Responsive Services and Customer Care	4,361	(260)	(47)	4,054
Portfolio Expenditure	209,649	0	(2,086)	207,563
Contingencies	21,403	0	2,086	23,489
Technical Adjustments	(22,976)	0	0	(22,976)
Levies	15,709	0	0	15,709
Capital Financing Costs:				
Revenue Contributions to Capital Programme	2,570	0	0	2,570
Debt Charges and Interest	20,959	0	0	20,959
Total Expenditure	247,314	0	0	247,314
Use of Balances	(2,272)	0	0	(2,272)
Net Budget Requirement	245,042	0	0	245,042